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**The Domestic Consequences of Hierarchy in International
Relations**

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The Domestic Consequences of Hierarchy in International Relations

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Report

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Recent explorations of hierarchy in international relations have restricted their domain of inquiry to states as aggregate units. Although this has greatly enhanced our understanding of international politics, we know less about what the implications of hierarchy are for domestic politics in subordinate states. Because of the varieties of domestic political control - including violence - employed by great powers, opening up the black box of subordinate state politics can yield new insights into the operations and limits of international hierarchy. Here I outline a theory of political incentivization and link it to a discussion of foreign-imposed regime change, arguing that great powers stabilize politics in subordinate states directly by bolstering preferred regimes and indirectly by threatening to intervene and remove leaders who challenge the status quo.

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1 Introduction

Large, powerful countries have always been interested in shaping domestic policy in other states. Imperial annexations, favorable and unfavorable trade agreements, foreign aid, and many other levers of international relations are all part of this impulse to cajole, incentivize, and on occasion coerce friendly and unfriendly countries alike. The stories of these relationships are sometimes adumbrated by violence: a military invasion to depose Saddam Hussein, a covert operation to restore a Shah, or a tacitly-approved assassination to emplace a new leader in beleaguered South Vietnam. But in part because these threats to intervene exist, at other times these great power-small power relationships exhibit remarkable stability. For example, former Cuban president Gerardo Machado wrote that "[t]he spectre of intervention [under the Platt Amendment] was of such potency that no one ever dared to oppose it" (Perez 1991, p. 228). Likewise, Sunni Islamist parties in North Africa now purposefully restrict the number of seats they run for in elections in order to avoid a U.S.-backed crackdown on democratic outcomes (Hamdi 2011, p. 74). Why do great powers sometimes use violence to reorder domestic politics? Under what conditions are they able to get their way short of violence? More broadly, what are the domestic consequences of international hierarchy when coercion is a tool of statecraft?

Theorizing the impact of great powers on domestic politics in smaller states provides two primary contributions to our understanding of international

politics. First, it highlights the role that opposition groups play in great power demands of smaller states: when interested outsiders have fewer credible institutional alternatives, it is more difficult to get what they want. Second, this theory points to the understudied role of foreign regime change in international politics. I argue that the threat of regime replacement hangs over leaders in small states, conditioning behavior even - and perhaps especially - when it is not carried out.

Wagner (2007) has suggested that politics generally, and specifically the interactions leading to the establishment of what have become "states," can be characterized by three contracts governing respectively the internal functions of a ruling group, the relations between a ruling group and the population it rules, and the relations between different ruling groups (121). In turn, these contracts can be subject to renegotiation pressures due to changes in the expected values that those they govern place on revisiting the terms of their agreement. These interlocking contracts provide one way of thinking about how great powers can solve their policy dilemma. In order to protect leaders in other states from domestic opposition, an outside power needs to increase the benefits to living under the current regime, decrease the expected gains from challenging it, or both. I argue that two types of interstate transfers - foreign aid and arms sales - can condition these domestic calculations and thus the types of deals that can be struck internationally. These transfers can stabilize domestic politics directly, but they also play an important and overlooked indirect role by creating a credible commitment on

the part of the great power to undertake foreign-imposed regime change should its preferred regime be challenged.

Here, I roughly sketch the logic of how these interstate transfers can lead to domestic stability. I further ground these mechanisms in the public finance and balance of power literatures later when laying out the broader theoretical foundations for the argument. Directly, foreign aid to a regime can help stabilize domestic politics by reducing the extent to which leaders in that state rely on their citizens for fiscal solvency. Foreign aid provides one exogenous source of state income that subverts the need for leaders to utilize their own citizens as a resource base. Similarly, arms sales or transfers to a state can stabilize domestic politics by further shifting the internal balance of military power away from disputationous rebel hopefuls and towards the government. However, on their own these arguments are incomplete explanations of regime stability. By strengthening the governmental apparatus and enhancing the perquisites of power, these transfers may actually increase the chances for conflict, either by inciting a preventive war against the government or simply by increasing the desirability of holding power (Wagner 2007, p. 182-3). The net effect on domestic opposition of low taxation and a powerful government, on the one hand, and the prospect of access to fiscal resources and a powerful deterrent, on the other, is unclear *a priori*. But these types of transfers also play an indirect role on domestic stability by conditioning expectations that opposition groups hold about their own interactions

with the great power should they seize control of the government.

First, the provision of these stabilizing transfers is conditional on the continued production of policy that is favorable to the great power, and crucially, different types of coalitions are differentially constrained in passing the types of policy the great power wants. For example, if Mahmoud Ahmedenijad's domestic credibility rests in part in deterring U.S. military action, committing to give up nuclear program development may not be available as a policy option to him. Saddam Hussein faced a similarly bleak tradeoff in attempting to convince Iran that Iraq possessed weapons of mass destruction while assuring the United States that he did not. What this means practically is that some leaders of domestic opposition groups cannot commit to providing the great power with acceptable levels of policy output. The conditionality of the transfers lessens the desirability of overthrowing the current regime. This emphasis on domestic politics and its effect on the policy output of the smaller state also provides a way of thinking about when policy concessions are in a sense "coerced" by the threat of foreign intervention, and when they are produced naturally due to the alignment of interests between one state and another's domestic coalitional support.

Second, these transfers create a credible commitment on the part of the great power to engage in foreign-imposed regime change should its preferred regime be ousted. Committing to restore the status quo ante has a powerful effect on stabilizing domestic politics - an effect that has been badly underestimated

and misunderstood. Precisely because this threat is credible, we do not often observe regime change, as domestic opposition groups are deterred from acting against their governments and domestic politics appear to exhibit stability. Thus, foreign aid and arms sales are key components of a dual bargain: in return for policy concessions, great powers provide regime security directly by reducing fiscal pressure and militarily empowering leaders, and indirectly by threatening to intervene should this regime be overthrown. I argue that this threat of regime turnover plays an important and heretofore ignored conditioning role in international politics.

2 Literature Review

Broadly, two classes of literature can claim to characterize the asymmetric relationships between great powers and other states. The first, encompassing debates about empire and international hierarchy, dates back thousands of years and includes oral histories, critical dependency theory, and traditional imperial histories. The second is of more recent provenance, shining a light on the effect that foreign-imposed regime change (FIRC) has on interstate relationships between intervener and target countries. However, neither of these (admittedly diverse) literatures takes seriously the role that domestic politics in smaller states plays in these strategic interstate relationships. This oversight is even more pernicious here than elsewhere because of the asymmetry in violence capabilities implied by the question at hand: great powers can insert themselves into domestic politics in smaller countries with a force that is not reciprocated, and this threat - even if it is never carried out - conditions the behavior that we should expect to observe. In this section I undertake a review of both the empire/hierarchy and the FIRC literatures, probing the often implicit assumptions made by authors in both fields and outlining the implications that these assumptions have for our understanding of great power-small power interactions.

Empire is a specific, if definitionally-contested, set of political arrangements that perhaps seems anachronistic in an era of decolonization. To Doyle, empire is "a relationship, formal or informal, in which one state controls the effec-

tive political sovereignty of another political society" (1986, p. 45).¹ Traditionally empire is then subdivided into mechanisms of either direct or indirect control, describing whether control is manifested through formal metropolitan emplacement of leaders in peripheral states or informal manipulation of incentives to produce different types of policy and governance structures. The term "empire," however, generally carries with it connotations accrued over several centuries of economic exploitation - specifically, it implies that in addition to methods of political control there exist economic relationships by which the developed metropole imports cheap raw materials and exports expensive manufactured goods, contributing to a cycle of peripheral underdevelopment. The linkage of empire and colonization leads to an historical reading that sees peripheral countries as largely undifferentiated; in a critique of this line of reasoning David Abernethy writes that the conclusion must be that "it is the fate of the colonized not to act but to be acted upon, not to take initiative but to respond to initiatives taken by the invaders" (2002, p. 30). In fact this characterization is a bit worse than even treating peripheral states as unitary actors, lumping them as it does into a class of states whose attributes are defined by their international structural position. But there are *some* individuals in these peripheral states who benefit from imperial rule, even if this group is restricted to citizens of the metropole sent there to control the natives.

¹The concept of sovereignty as it relates to both international relations and empire/hierarchy is more complicated than the traditional Westphalian narrative would suggest. For two excellent legal accounts, see Keene (2002) and Simpson (2004); on the debate's specific relevance to international relations, see Lake (2009, especially chapter 2).

Even in this extreme case, cracking open the periphery can provide leverage into thinking about how the necessities of direct colonial control vary with domestic conditions within peripheral areas.

Since formal empires began to disintegrate in the second half of the twentieth century, the primary lens that scholars have used to study asymmetric relationships in international relations - to the extent they have not escaped their ken entirely - is one of hierarchy. Previous works that examine the construction (Lake 2009) or the organization (Cooley 2005) of hierarchy define it as a condition of super- and sub-ordination: Cooley, quoting Lake, defines hierarchy "as a condition of relational power in which a dominant polity 'possesses the right to make residual decisions while the other party - the subordinate member - lacks this right. (2005, p. 5).'" But here, as with the study of empire, the domestic effects of hierarchy are left untheorized. This oversight impairs our ability to make valid inferences about the effect of hierarchy due to omitted variable bias. Many of the operationalizations of hierarchy that Lake uses - e.g. surrendering monetary policy autonomy to the hierarchy - have domestic distributional consequences. If the leader in power is supported by groups with no interest in international trade, why should we expect hierarchy to manifest through fixed exchange rates? Not controlling for the fact that fixing exchange rates will create greater and different displacements in some states from others, and thus affect their likelihood of agreeing to do so in the first place, risks overstating the effect that observable

measures of hierarchy have on interstate relationships.

But just as an abstraction from domestic politics could overstate the effect of observable measures of hierarchy, it may *understate* the role that hierarchy plays in international politics more generally. This problem arises primarily from the strategic interactions that come about from an emphasis on domestic politics. Consider Cooley and Spruyt's argument about "incomplete contracting." Specifically with respect to decolonization, they argue that when negotiating over the rights to formerly imperial assets, the erstwhile colonial power will increasingly favor neoimperial solutions, as opposed to incomplete contracts, as the balance of power becomes more skewed in its favor. This is because more direct control lessens the probability that their fixed investment will be expropriated by former colonial states. But if the goal is not neoimperial control but rather protecting assets from expropriation, the former colonial power can accomplish this by threatening to intervene in the case of expropriation. And in fact the parameter that Cooley and Spruyt identify - the favorable balance of power - is likely to make this threat particularly useful for the colonial power, perhaps obviating entirely the need for neoimperial control. The threat of removal, never observed, in effect conditions the regime in power to behave as the outside power wants, shifting the terms of domestic political competition.

Empire and hierarchy can be understood as two ongoing processes by which great powers control other states' domestic political processes. But on oc-

casion this interaction takes on a more disruptive character when, for various reasons, a leader in the smaller state is deemed unacceptable and removed. Scholars have so far divided their attention between the domestic and international effects of foreign-imposed regime change. This division is unfortunate, because it elides what FIRC is actually *doing* to a state. Regime change redistributes power in two ways. At the very least it does so domestically, from one group to another - which is to assume that the old and new leaders are not supported by the exact same political actors. The extent of this redistribution will vary across cases, from de-Nazification in West Germany and de-Ba'athification in Iraq, to Afghanistan, where the U.S. now contemplates some form of power-sharing with elements of the Taliban. But FIRC can also redistribute power *between* states (see Figure 1 for a rough graphical representation of this point). This will be true especially when regime change is accompanied by military conflict, as was the case following World War II and more recently in Afghanistan and Iraq. However, where some degree of domestic redistribution is a necessary outcome of FIRC, it is not the case that all instances of regime change result in a shift in the international distribution of power. I will argue that this latter effect - interstate redistribution of power - has been the one commonly emphasized in empirical studies of FIRC, despite it being of less importance than its domestic analogue. Understanding this domestic redistribution is absolutely crucial in order to grapple with the conditions under which leaders can safely make policy concessions.

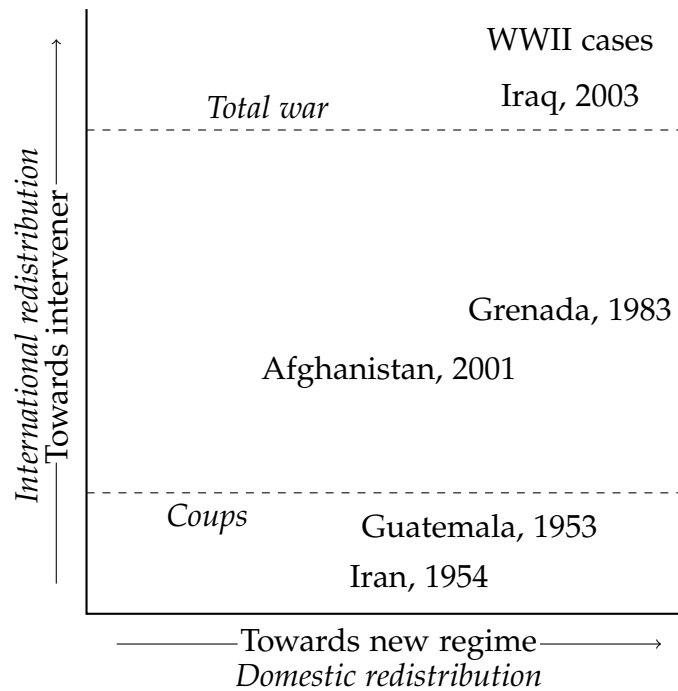


Figure 1: Variation along two dimensions of political redistribution

The political science literature has so far been primarily concerned with the effect that foreign-imposed regime change has, both domestically, on regime type within the target state, and internationally, on the likelihood of conflict between states. There are two problems with this bifurcation. First, unless one is willing to posit complete independence between domestic policy, regime type, and international behavior, separating the study of these effects will lead to an incomplete, and possibly biased, understanding of how FIRC can shape policy concessions. Is an international redistribution of power necessary to "lock-in" a new domestic arrangement? Or can domestic rearrangement lead to stabilization of international relationships independent of military conflict? Second, without understanding how FIRC shapes domestic political competition - and by exten-

sion what domestic conditions are necessary for it to occur - it is not clear what sorts of conclusions can be drawn about its effects. It may be that any correctly-specified explanation will be contingent on a set of factors that is not immediately obvious from the cases where regime change is observed. For example, if the outcomes of FIRC are systematically related to a motivating factor that is not controlled for - suppose for example that FIRC is more often undertaken when the target state is highly institutionalized, and that the level of institutionalization is related to the success of FIRC - the estimates obtained may be biased, masking the underlying factor that is in reality driving both outcomes.

Most of the literature implicitly assumes what FIRC is *about*, and then claims to show that the removal and replacement of a leader has a statistically significant effect on some characteristic of either a state's domestic attributes or international behavior. For example, on the one hand, Bueno De Mesquita and Downs (2006) show that intervention can make a state either more or less democratic depending on the type of state doing the intervening, while Downes and Monten (2010) find that the prospects for democratization following FIRC depend on ex ante characteristics - like GDP per capita or ethnic homogeneity - of the state on which it is employed. On the other hand, the possibility of regime change might have implications for interstate behavior, either by causing states to select into certain conflicts (Werner 1996) or by reducing the likelihood of future conflict in a given dyad (Lo, Hashimoto and Reiter 2008). Of these, only Bueno

De Mesquita and Downs pay attention to intervener motivations, and these authors are the only ones not explicitly interested in leader removal and replacement.

In their analysis, Lo, Hashimoto, and Reiter suggest two mechanisms by which foreign-imposed regime change can lead to increased post-war peace duration. First, the post-war foreign policy preferences of the target state can be changed by replacing old leaders with compliant substitutes; and second, FIRC can be used to transform the political institutions of the target state, perhaps by enforcing pacifism as a foreign policy goal or implementing permanent disarmament provisions. But the putative theoretical emphasis on domestic adjustment is puzzling in light of their empirical tests, which focus only on states defeated in military conflict. Aside from leaving them unable to truly test the proposed causal mechanisms, this means that many of the cases are selected from the upper right-hand quadrant of Figure 1 - what Werner (1996), along with Clausewitz, might call "absolute war." Thus, despite whatever they claim to be demonstrating in their empirical tests, the only real conclusion we can draw is that, with 95% confidence, we can reject the null hypothesis that defeating a state in interstate conflict *and* replacing their leadership has no effect on the future likelihood of conflict between those two states.

Lo, Hashimoto, and Reiter use two different measurement techniques to operationalize FIRC, one following Werner and the other utilizing Goemans,

Gleditsch and Chiozza's *Archigos* dataset.² The coding in both of these datasets includes as instances of FIRC only those cases of leader replacement that follow the end of an interstate war by less than one year. There are two crucial implications of this choice. First, by considering only regime changes that follow military conflict, the study misses cases like Grenada 1983, where fighting is light and not considered a "war" by the standard quantitative IR casualty cutoff, and cases like Iran in 1953 or Guatemala in 1954, where the action more closely resembles a coup and organized conflict is not truly present. Second, by Werner's coding of FIRC, fully 46% (12 of 26) of the cases occur during World War II. But war has consequences for the likelihood of interstate conflict independent of regime change. It provides information about the military balance between the belligerents, which should lead to agreement about the terms of sustainable settlements (Werner and Yuen 2005). Estimating the effects of FIRC on a sample containing only those states also defeated in war may overstate the impact that regime change has on the likelihood for renewed conflict and understate the effect that regime change has on other political outcomes that emerge from domestic political competition.

The larger point of this discussion is that FIRC may decrease the likelihood for conflict between two states through two distinct mechanisms: first by

²The two codings are correlated at .92. The cases Werner includes are as follows, with the year the state entered the war in parentheses: Spain (1823), Papal States (1860), Two Sicilies (1860), Paraguay (1864), Honduras (1906), Honduras (1907), Morocco (1909), Belgium (1914), Turkey (1914), Ethiopia (1935), France (1939), Poland (1939), Germany (1939), Greece (1940), Netherlands (1940), Norway (1940), Belgium (1940), Rumania (1941), Yugoslavia (1941), Hungary (1941), Japan (1941), Romania (1944), Hungary (1956), Republic of Vietnam (1965), Cambodia (1975), and Uganda (1978). Source: Werner (1996, p. 84).

emplacing regimes supported by domestic coalitions with fewer natural conflicts of interest with the intervening country, and second by altering through conflict the military balance of power between the erstwhile belligerents (Levontoğlu and Slantchev 2007). The empirical test allegedly looks to shed light on mechanisms at the domestic level, but it leaves out non-conflict cases that clearly fit the suggested logic. More importantly, it misses the fact that the rearrangement of domestic power produced by FIRC is in fact the subject of continuous negotiation between great powers and other states, in war and out. The cases included in the empirical test are only those where bargaining has broken down.

Disaggregating instances of foreign-imposed regime change by the extent to which they redistribute power domestically and internationally makes explicit the possibility that different types of FIRC may have different effects. In some cases the promotion of a specific leader backed by a specific coalition emerges naturally from fear of renewed conflict or the abrogation of terms that settled a previous one. For example, Tooze (2007) links the territorial expansionism of the Nazi regime to the need to satisfy the German small-holding farmers who formed such a large portion of Hitler's political support. After the war, policymakers in the U.S. understood that the one way to ensure the stability of West German domestic politics - and by extension, the settlement that ended conflict - was to keep in power a regime supported by interests desirous of further integration into the burgeoning continental scheme. In the immediate postwar period, this

meant Konrad Adenaur and his Christian Democratic Union; yet the effect of U.S. influence on German domestic political competition was such that by 1961, the main West German opposition party had moderated their demands to the extent that they too were acceptable allies (Trachtenberg 1999, p. 377-378). In this case, the threat of outside force to maintain the status quo was strong enough that it not only deterred the opposition from seizing power, but completely transformed its makeup and policy positions. Even so, Britain and especially France were not entirely placated by the rearrangement of domestic political interests in Germany, and so the commitment of the United States to remain involved in some form or another in European military affairs was a key part of the postwar settlement in Western Europe (Ikenberry 2001, see especially p. 191-199). In this case, the combination of massive international and domestic redistribution was insufficient to calm fears of renewed aggression.

In stark contrast to the German case, it is probably not correct to think that overthrowing Hudson Austin's junta in 1983 was done primarily to forestall the prospective threat that Grenadian military posed to the United States. Instead, the United States intervened in order to redistribute the levers of government to a regime less likely to allow the Soviet Union to build an airport and garrison troops on the island. Here, a domestic redistribution of power was sufficient to accomplish the goal at hand; in Germany, a heavier hand was required. Broadly, this was one characteristic of peripheral interventions during the Cold War: the

United States and Soviet Union were not concerned with the military power of any particular Third World country, only who controlled it and what this meant for the power projection capabilities of the other great power. Thus out-and-out conflict often took a backseat to subtler methods of internal power redistribution.

Contextualizing the ideological content of foreign-imposed regime change within a framework of domestic politics allows for a more nuanced read of intervener motivations. That regime change is driven by grand ideological clashes is of course a popular and intuitive thesis; for an excellent recent account arguing this, see Westad (2005). Owen (2010) extends a similar argument backwards in time to encompass several waves of foreign regime promotion: the religious wars of the seventeenth century, the republican/monarchical competitions of the nineteenth century, and the ideological - liberal democracy, communist, and fascist - battles of the twentieth. Owen suggests that regimes are linked by transnational ideological networks and that leaders will exploit unrest in other areas to extend the influence of their preferred network (or shore up embattled co-ideologists). Surely this is part of the story. But ideology is neither necessary nor sufficient to catalyze an attempt at regime change: the United States put up with a communist regime in Yugoslavia that, ironically, the Soviet Union wanted overthrown. And today Barack Obama's administration retains close ties with repressive governments in Saudi Arabia and Bahrain, going so far as to ship arms to the latter when it was faced with a nascent democratic uprising. The key is in understanding the great

power's beliefs about the most credible alternative regime's ability to provide it with the same level of policy concessions it currently receives. If it expects a possible replacement regime - even one more in line with itself ideologically - to be hamstrung domestically, it may prefer continuity over messianism.

Finally, nesting the logic of foreign-imposed regime change in a substantive theory of international politics also has important implications for normative evaluations of political subterfuge. The United States and Soviet Union were excoriated throughout the Cold War - and the former continues to be in some quarters of the globe - for undertaking regime change throughout the Third World. By reevaluating FIRC as "off equilibrium path" behavior, we can begin to understand the role its implicit threat plays in international politics. In this reading, carrying out promised actions when actors violate expected behavior is crucial to preventing future political unrest. If indeed the threat of FIRC is responsible for locking in political stability in many areas, perhaps we should be slower to rush to judgment when it must be implemented.

3 Theory

In this section I ground the direct effects of interstate commitment transfers on bargaining in the public finance and balance of power literatures. I also discuss how the indirect effects of these transfers are generated by shifting the expected value that a great power places on FIRC. First, a few assumptions are necessary to orient the discussion. I assume that leaders desire to stay in power, and that since domestic unrest can ultimately lead to their removal from power, they seek to minimize it to the extent they can. I also assume that expectations of post-FIRC domestic politics condition great power behavior; in other words, I assume that great powers care about what happens after they remove and replace a leader.

What I have called the "direct effects" of these interstate transfers can be likened to previously identified mechanisms of dyadic interstate influence, wherein states can buy policy concessions with foreign aid (Bueno de Mesquita and Smith 2007, Bueno De Mesquita and Smith 2009) or shape both bargains between other parties (Werner 2000) and expectations about intervention (Favretto 2009) by indirectly augmenting expectations about the result of failing to reach an agreement.³ As noted earlier, these transfers may improve regime stability, but they are on their own incomplete arguments with respect to how great powers can lock in policy concessions from a regime over time. After discussing how precisely these mechanisms operate, I briefly discuss how they shape the threat

³The effect of arms transfers on dyadic relations and domestic political competition has, by my estimate, been curiously overlooked in the international relations literature.

of foreign-imposed regime change.

The first direct effect operates by freeing the smaller state fiscally. The idea that governments are constrained by their need for revenue is not a new one, dating back at least to 19th century thinkers like Kant and Ricardo. There are two separate mechanisms through which demands for representation and liberalization can be linked to fiscal resource constraints. The first mechanism suggests that governments must trade off demands on their citizens for political representation. According to North and Weingast (1989), the need for ever-increasing public funds for early European war-making was partially responsible for the development of Western democracy. By this logic, bourgeois citizens can demand greater representation and checks on government power in return for providing loans. This representation naturally comes at a cost to the government, however, because concessions - and acquiescing to finance government operations - can be revoked. More recently, Acemoglu and Robinson (2006) have suggested a second mechanism: that demand for income redistribution can catalyze democratization concessions when elite groups cannot credibly commit to tax themselves in order to transfer wealth to poorer classes. In both of these cases, access to non-citizen revenue relaxes the need for ruling coalitions to offer political concessions to those out of power. In general, Morrison (2009) argues that non-tax revenue has a stabilizing effect on both dictatorships and democracies: in the former, leaders can ramp up social spending without compromising private payouts to regime sup-

porters, and in the latter, governments have less need to tax elites for provision of social services or military spending.

The second direct effect that interstate transfers have on domestic stability comes about through the internal balance of power in the receiving state. That conflict may come about as a result of belligerent disagreements over the balance of military power is an old explanation for war (Blainey 1988, Fearon 1995, Slantchev and Tarar 2011). One important mechanism by which an interested third party can shape the character of deals reached by others is by directly providing resources to one side that shape the bilateral balance of power. Wagner (1994) argues that disagreements over the balance of power should be decomposed into the effects of uncertainty and inconsistency; while the former affects decisions to the extent that attitudes towards risk are important in understanding conflict, inconsistent expectations are what can lead to war by generating overlapping demands on the part of over-optimistic belligerents. When a great power consistently provides arms transfers to the government of another state, inconsistency over expectations of the likely outcome of any conflict will be reduced and the likelihood of domestic conflict lessened.

Finally, the indirect effect of these transfers operates by altering the opposition's expectation that it can successfully consolidate power if it eliminates the regime. If a great power's preferred leader is overthrown, the great power can either acquiesce in this domestic seizure of power, or act to restore the status quo

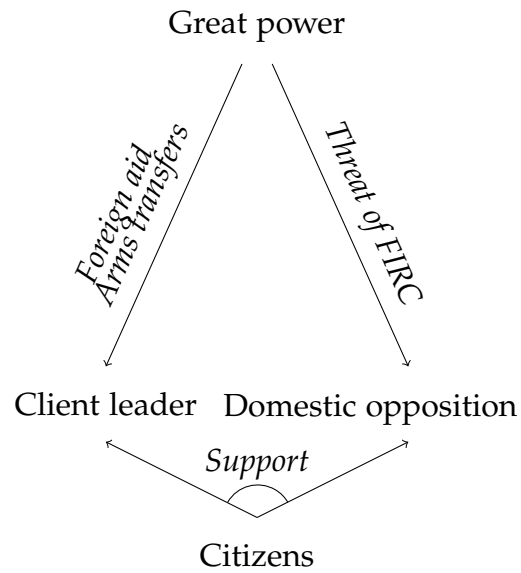


Figure 2: Argument diagrammed

ante by undertaking FIRC. Foreign-imposed regime change is a risky proposition for a great power: its success is not assured, and removing a leader can foment domestic unrest and undermine stability in the smaller state. But a history of what I have called interstate transfers - foreign aid and arms transfers - can shape the likelihood that FIRC is successful and provides the great power with an expectation that a credible leader is available. Arms transfers can provide "access to political and military elites," facilitating training exercises, and more importantly, personal relationships between the sending and receiving countries (Pierre 1982, p. 15). For example, in Panama in 1989, President George Bush used relationships that the United States had established with dissident factions in the Panamanian military to help overthrow Manuel Noriega. Likewise, foreign aid can provide potential executors of FIRC ready-made (and friendly) elements of civil society on

the ground as well as governmental contacts that can be directly put into power. By increasing expectations about the likely success of FIRC as well as decreasing the costs involved in implementing it, foreign aid and arms transfers provide an indirect mechanism that further constrains domestic opposition groups in how much they can demand of the regime in power.

A short discussion of the events following the Guatemalan presidential election in 1950 illustrates the mechanisms at work here. The nationalization of United Fruit Company (UFC) property is often pointed to as the catalyzing action that drove the U.S. to remove Jacobo Arbenz from power in 1954; however, the nationalization should be seen in the context of Arbenz's general political goals, which more broadly were to destroy traditional sources of power in the country and bolster his own support coalition consisting of urbanites and small rural farmers. Upon election, Arbenz passed a relatively moderate - providing for full compensation of expropriated lands - land reform bill. But he also moved to end several foreign monopolies: one previously held by the UFC over internal transportation infrastructure, and one over electric utilities controlled by a U.S.-owned power plant. Yet even after all this, the pretext for the U.S. authorization to overthrow Arbenz did not come until the regime received a shipment of around 2,000 tons of Czech-manufactured light arms, used subsequently to repress opposition groups in Guatemala. The domestic effects of the regime change implemented under the guidance of the United States were predictable: return of the farmland

to international interests, arrest of thousands of Arbenz supporters, and restriction of the franchise to literate citizens, thus forestalling any "legitimate" reversal of the regime installation. Finally, following Arbenz's ouster, the U.S. immediately undertook programs of aid to the Guatemalan government, building roads and public works (discussion here draws from Blaisier (1985, p. 151-177)).

4 Model

In this section I analyze a simple game-theoretic model that attempts to capture the key strategic interactions between the different actors in the argument. Here, for reasons that will become clear in the discussion of the equilibrium, I abstract away from the direct effects identified earlier. The outcome of the model depends instead on the indirect effects of interstate transfers that come about as a result of threats on the part of the great power to directly intervene in domestic politics.

The bargaining occurs between three actors - a great power GP , and two factions within a smaller state, A and B . GP prefers that A be in power because this regime is able to make policy that GP prefers. This model differs from many bargaining models in that only one actor, GP , is concerned with substantive policy; the utilities of the other two are determined entirely by whether or not they are in power. The game begins with A making policy concession $x \in [0, 1]$. GP then sets a level of interstate transfers $\tau \in [0, 1]$. Following this, B decides whether or not to seize power domestically $\{S, NS\}$, which succeeds with probability θ , a term meant to capture the internal balance of power. If it does not seize power, the status quo obtains and the game ends. Finally, GP can either acquiesce in B 's seizure of power $\{A\}$, launch a domestic coup $\{C\}$, or overthrow B 's regime militarily $\{M\}$.

The payoffs for the two domestic factions follow directly from assumptions made about their preferences. In fact, in this first, simple model, I do not

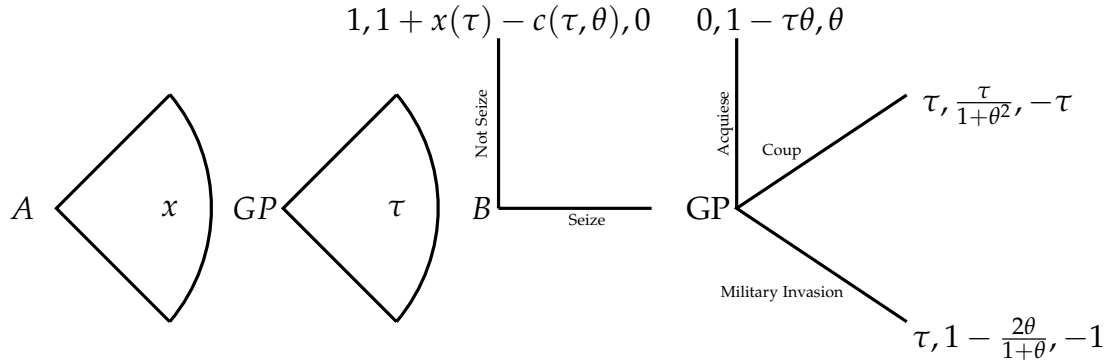


Figure 3: A game of great power policy influence

allow for these factions' preferences to change with shifts in the parameters of the model. A 's lowest payoff (0) is to have B overthrow it and have GP acquiesce in this; it prefers to this being reinstated via domestic coup or military regime change, which both provide a payoff of τ ,⁴ and it prefers B 's challenge to be deterred over all of these, here receiving a payoff of 1. Intuitively, B 's preferred outcome is $\{S, A\}$, for which it receives a payoff of θ . If it is overthrown via a foreign-sponsored coup it receives $-\tau$, and a military defeat earns it -1 . Finally, choosing to forego an attempt at power seizure returns a payoff of 0. It is obvious that for all $\{\tau, \theta\} \in (0, 1)$, these actors' preference orderings will be stable.

GP 's payoffs are different, and depend on how weak its preferred faction is domestically and the level of transfers it provides. If it deters a challenge from B , it receives $1 + x(\tau) + \tau - c(\tau, \theta)$. GP cares about how much of policy x it receives, which A provides as a function of τ . It can also value τ intrinsically, for example deriving benefits from domestic arms companies made wealthy by the

⁴In the model it is indifferent between these two outcomes: there are theoretical arguments that can be made either way here, so I found it best to assume indifference at these two nodes.

sale of arms or political benefits from engaging (or appearing to engage in) humanitarianism. Finally, the cost of providing these transfers is increasing in both the amount supplied and how weak A is domestically. I assume here the functional form $\tau + \tau - \tau^2 - \theta\tau$, in order to capture this relationship.⁵ If B successfully challenges A , GP receives $1 - \tau$, capturing the fact that whatever transfers provided to the regime are now in the hands of the disfavored faction. Specifying payoffs for $\{C, M\}$ is tricky, but I have tried to construct functional forms that make theoretical sense. For GP , a coup induces some riskiness, in that it may not succeed; here I suggest that it does so, and captures back the government for A , with probability $\frac{\tau}{1+\theta^2}$. This probability is its expected payoff at this node. Conversely, invading militarily should be a surefire operational success for GP , but it is costly; thus, here GP receives $1 - \frac{2\theta}{1+\theta}$.

The simple version of the game can be solved by backwards induction. At the last node, GP chooses from $\{A, C, M\}$. Since it has three choices, each node requires two conditions to be met. GP chooses A if $\tau \leq \frac{1+\theta^2}{2+\theta^2}$ and $\tau \leq \frac{2\theta}{1+\theta}$; C if $\tau \geq \frac{1+\theta^2}{2+\theta^2}$ and $\tau \geq \frac{1-\theta+\theta^2-\theta^3}{1+\theta}$; and M if $\tau \leq \frac{1-\theta+\theta^2-\theta^3}{1+\theta}$ and $\tau \geq \frac{2\theta}{1+\theta}$. Call these Constraints 1, 2, and 3, respectively. Observing these constraints, B chooses its best option. If it is possible to end at the $\{S, A\}$ node - that is, when Constraint 1 is met - B will play S .

However, we need to know what τ is before we can draw any conclusions

⁵In other words, I assume A will provide as many policy concessions as GP will provide transfers, at a one-to-one rate.

about how B will be constrained at its decision. All things equal, GP will prefer to maximize its utility at the status quo node; that is, maximize $1 + \tau + \tau - \tau^2 - \theta\tau$ with respect to τ . This yields a $\tau^* = 1 - \frac{\theta}{2}$. Finally, we need to check that A will indeed offer the posited level of $x(\tau) = \tau$. But by assumption, this is true: A is uninterested in the substantive policy, and cares only about staying in power. If B is deterred from seizing power, A is happy. Is this the case?

For most of the range of θ , τ^* is in the region in which GP has a credible commitment to overturn any challenges to the regime. Because the model is analyzed under complete information, B knows this and thus when τ^* is in this region will never challenge A 's hold on power.

However, above $\theta \approx .77$, τ^* drops below the level necessary for GP to credibly commit to overturning B 's challenge. When GP observes these initial conditions, what should it do? It can either increase τ^* in order to create a commitment, or set $\tau = 0$ and acquiesce in B 's power grab. Luckily we know precisely the level of τ necessary to deter B in this range of θ : $\tau^+ = \frac{1+\theta^2}{2+\theta^2}$. Plugging back in to GP 's utility equation, we can see that in this range, $u(\tau^+, NS, C) > u(\tau = 0, S, A)$. The full set of equilibria is therefore:

$$\begin{cases} \tau^*, NS, C & \text{if } \theta < .77, \tau^* \geq \frac{1+\theta^2}{2+\theta^2}, \tau^* \geq \frac{1-\theta+\theta^2-\theta^3}{1+\theta} \\ \tau^*, NS, M & \text{if } \theta < .77, \tau^* \leq \frac{1-\theta+\theta^2-\theta^3}{1+\theta}, \tau^* \geq \frac{2\theta}{1+\theta} \\ \tau^+, NS, C & \text{if } \theta > .77 \end{cases}$$

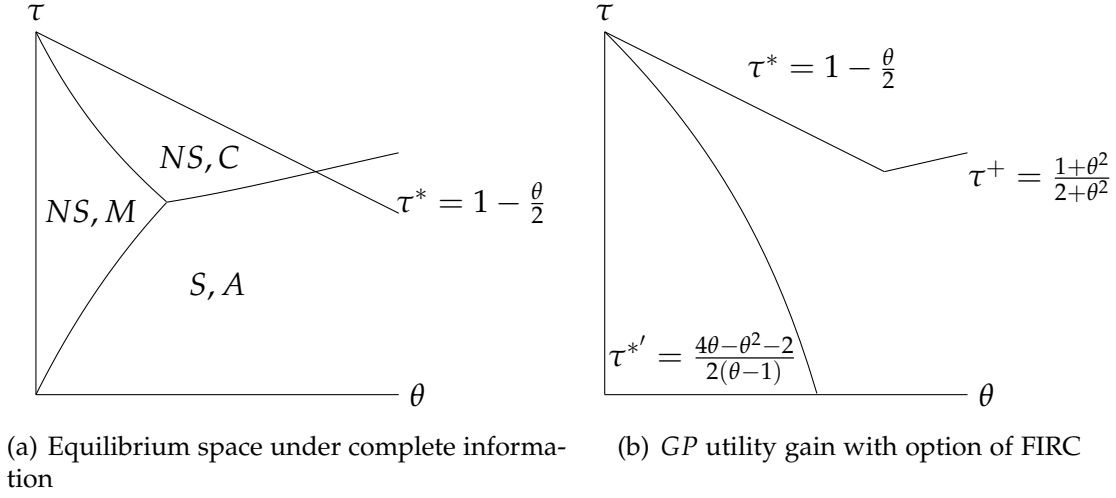


Figure 4: Equilibrium analysis

We can also analyze how much better off GP is by being able to threaten to overturn challenges. Suppose if B seizes power, GP must acquiesce. In this case, it sets a τ^* to maximize $(1 - \theta)(1 + x(\tau) - c(\tau, \theta)) + \theta(1 - \tau\theta)$. Here, $\tau^{*'} = \frac{4\theta - \theta^2 - 2}{2(\theta - 1)}$. The area in Figure 4(b) between the two lines is the amount of policy x "gained" by GP by virtue of being able to threaten foreign-imposed regime change. Intuitively, this amount is increasing in θ - that is, GP is increasingly better off in a world where it can make regime change threats as its preferred faction is weaker domestically. This does not, however, mean that GP is absolutely better off as its preferred faction becomes weaker; note that τ^* is decreasing in θ . As A becomes weaker domestically, GP can ask less of it.

In this simple model, the direct effect of the regime stabilization mechanisms never come into play. The next step in the modeling exercise will be to allow the probability that B 's regime seizure is successful to be a function of both x and τ . In this extension, I also plan for τ to be imperfectly observed: that is,

because B is out of power, it is unsure over how much regime stabilization has been provided by GP . This will induce a risk-return tradeoff for B : seizing power may be sometimes worthwhile, but overreaching can lead to a painful expulsion from office at the hands of GP .

5 Conclusion

"Theories that apply to self-help systems are written in terms of the systems' principal parts... The fates of all the states and of all the firms in a system are affected much more by the acts and the interactions of the major ones than of the minor ones."

—Kenneth Waltz, *Theory of International Politics*, 1979

Waltz was not alone in this line of thinking. Many attempts at formulating a theory of international relations have restricted the domain of inquiry to the interactions of great powers, but it is no longer so clear that a theory should leave out the remainder. Partially this is because the motivations for dyadic relationships between great powers and lesser powers can no longer be explained as outgrowths of great power competition - for example, peripheral competition during the Cold War as a means to delegitimize an ideological enemy. We need a way of systematically thinking about how and under what conditions great powers seek to incentivize policy creation in other states. I have argued that these policy concessions are constrained by the parameters of domestic political competition in the target state, and that great powers seek to reshape these interactions by providing fiscal relief, military support, and the threat of regime change. The first two shape the value that opposition politicians place on challenging the current regime, and the third provides a mechanism ensuring they cannot profitably capture an empowered political apparatus. In the dissertation itself, I plan to develop a bargaining model capturing the dynamics of a great power seeking

policy concessions against differentially constrained politicians; undertake quantitative analysis of U.S. strategies of regime enhancement and policy bargaining in the post-World War II era; and examine qualitatively several cases of policy exchanges concurrent with the logic outlined above.

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